

November 2, 2012

William Grant, Deputy Commissioner  
Minnesota Department of Commerce  
Division of Energy Resources  
85 7<sup>th</sup> Place East, Suite 500  
St. Paul, MN 55101

RE: Comments on the DER Net Metering October 11 workshop

Dear Deputy Commissioner Grant:

Missouri River Energy Services (MRES) submits these comments in response to the summary provided by the Department of Energy Resources (DER) concerning the October 11, 2012, net metering workshop. As you know, MRES provides supplemental power to municipal electric communities located in Minnesota, Iowa, North Dakota and South Dakota. MRES, like its municipal utility members, is not-for-profit; MRES is owned by its municipal members who likewise are owned by the customers they serve.

Some of our members have had requests for distributed generation or net metering. It has been our experience that on an individualized basis, that it is best that the municipal has the flexibility to work with the customer on the installation of the generation, on the payment for excess generation, and on the metering of the generation. MRES members have found that this individual approach works best for both the generating customer and for adding the power in a thoughtful and planned manner to the local distribution system.

As the DER moves forward in examining reform of net metering and distributed generation in Minnesota, MRES has concerns that must be considered and thought out carefully along the way.

#### Shifting of Costs

Often, customer-owners of distributed generation are primarily interested in reducing their own purchases from the local municipal electric resulting in lowering their electric costs. However, under statutory mandates, the utility must still provide electric power when the distributed generation system is not feeding energy to the customer. To do this, the utility maintains distribution infrastructure to the customer, maintains associated substations, and provides the metering and billing calculations needed to purchase the surplus power from the customer. These fixed costs must be recovered every month by the utility. Because the customer-owner is reducing his purchases from the utility, the utility must recover these fixed costs from the kilowatts sold to other customers. The smaller the municipality, the fewer kilowatts available to spread these fixed costs among. This results in greater impacts on the other customers.

Often the customers that can least afford these cost shifts are those that are not in a position to invest in distributed generation themselves; primarily those on fixed incomes and those in lower income brackets. As the DER looks to incentivize more distributed generation, it must look at who bears the burden of the costs. Additionally, the concepts of third party ownership, multiple meter aggregation and exemption from standby rates could add additional costs to other municipal customers—again, likely to those who can least afford it. Therefore, the DER and the utilities should look at ways to add distributed generation and calculating avoided costs and unrecovered costs in a manner that minimizes impacts on non-generation owning customers.

### Size to Load

One of the ideas put forth at the last meeting was the idea of sizing generation to well above load, as much as 2 MW. Some of our members' peak loads are around the 2 MW level. This amount of generation, especially intermittent generation, raises a number of issues, both financially and physically, for a small municipal electric utility. If the municipal cannot sell the power into the regional grid at a cost commensurate to the price paid the customer, the municipal and the non-generation owning customers pay for the resulting financial loss. Transmission study work would be required if the excess generation is to be exported to the grid. Also, distribution study work and investment would need to take place in order to maintain safety and reliability at the local level. And finally, if the state requires the municipal utility to purchase energy from this type of generator, this introduces a myriad of legal questions. This is a wholesale transaction governed by the Federal Energy Regulatory Commission and the Public Utilities Regulatory Policies Act.

### Choosing Winners

Although a formal proposal has not yet been set forth, MRES would be concerned about any proposal that would incentivize or chose one form of renewable energy over another. Whether the distributed generation is from solar, wind, geothermal or any other renewable source; each should be treated the same. One type of generation should not receive incentives greater than another type.

### Conclusion

MRES staff would be pleased to work with DER staff and with other stakeholders on net metering proposals and updates in Minnesota. In particular, MRES would like to work with stakeholders to address minimizing cost shifting to other customers.

Sincerely,

A handwritten signature in dark ink, appearing to read "Deb A. Birgen", written in a cursive style.

Deb Birgen  
Manager, State Legislative Relations

